

Message Text

SECRET

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ACTION EUR-12

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FM AMEMBASSY REYKJAVIK

TO SECSTATE WASHDC IMMEDIATE 69910

S E C R E T SECTION 1 OF 2 REYKJAVIK 0157

EUR FOR HUGHES

EUR/ME FOR DONCHI

FOR VICE PRESIDENT'S PARTY

E.O. 11652: GDS

TAGS: OVIP (MONDALE, WALTER F.) PFOR

SUBJECT: VICE PRESIDENT'S MEETING WITH PRIME MINISTER

HALLGRIMSSON; NATO BASE FACILITIES

1. SUMMARY:

DURING STOPOVER KEFLAVIK JANUARY 29. VICE PRESIDENT MONDALE MET FOR APPROXIMATELY 40 MINUTES WITH PRIME MINISTER GEIR HALLGRIMSSON. MEETING WAS ALSO ATTENDED BY MFA PERMANENT UNDERSECRETARY HENRIK BORNSSOM, BORN BARNASOM, DEPUTY SECRETARY GENERAL IN OFFICE OF THE PRIME MINISTER, AMBASSADOR, ADMIRAL KARL BERNSTEIN, COMICEDEFOR, AND NSC STAFF MEMBER CLIFT. MEETING AFFORDED VICE PRESIDENT OPPORTUNITY TO EXPRESS USG APPRECIATION AND RECOGNITION OF ICELAND'S CONTRIBUTION TO NATO DEFENSE AND FOR PRIME MINISTER TO EXPRESS HIS PERSONAL COMMITMENT AND THAT OF HIS GOVERNMENT TO ICELAND'S CONTINUED NATO MEMBERSHIP AND TO CONTINUED PRESENCE ICELAND DEFENSE FORCE (IDF). PRIME MINISTER STATED 1978 NATIONAL ELECTIONS

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WOULD RESULT IN NATO MEMBERSHIP AND PRESENCE OF DEFENSE FORCE AGAIN BECOMING POLITICAL ISSUES. HE ASKED THAT VICE PRESIDENT REVIEW POSSIBILITY OF U.S. MAKING FINANCIAL CONTRIBUTION TO CONSTRUCTION OF PLANNED CIVILIAN AIR TERMINAL AT KEFLAVIK. STATED SEPARATE TERMINAL AND U.S. ASSISTANCE IN ITS CONSTRUCTION WOULD FACILITATE COOPERATION WITH

DEFENSE FORCE AND DIMINISH IRRITATION OF SOME ELEMENTS OF POPULATION OVER IDF PRESENCE. VICE PRESIDENT PROMISED LOOK INTO MATTER PERSONALLY ON RETURN WASHINGTON
END SUMMARY.

2. AFTER EXCHANGE OF PLEASANTRIES. VICE PRESIDENT EXPRESSED APPRECIATION FOR OPPORTUNITY TO MEET WITH PM AND USG GRATITUDE FOR ICELAND'S STRONG COMMITMENT TO NATO. HE STATED NEW ADMINISTRATION INTENDS TO ABIDE BY 1974 MEMORANDUM OF UNDERSTANDING (MOU) AND THAT IT WOULD ALWAYS BE READY TO HEAR FROM GOI ON MATTERS OF CONCERN TO IT IN SAME WAY THAT IT HOPES GOI WILL ALWAYS BE WILLING RECEIVE USG VIEWS. WHEN HE WAS IN BRUSSELS HE HAD INDICATED CONTINUED U.S. COMMITMENT TO THE ALLIANCE. HE HAD EXPRESSED THERE SOME U.S. CONCERN OVER SOVIET BUILDUP IN WESTERN EUROPE AND OVER INCREASE IN SOVIET NAVAL ACTIVITY. THE U.S. WANTS DETENTE BUT NOT AT PRICE OF WATCHING SOVIET STRENGTH INCREASE AND NATO FALL INTO DECLINE. VICE PRESIDENT STATED THAT IN EXTENDING BEST WISHES OF PRESIDENT TO PRIME MINISTER HE ALSO WANTED TO EXPRESS PRESIDENT'S AS WELL AS HIS OWN GRATITUDE FOR ICELAND'S STRONG CONTRIBUTION TO THE ALLIANCE.

3. IN REPLY, PRIME MINISTER SAID HE WAS MOST GRATEFUL FOR OPPORTUNITY TO TALK TO VICE PRESIDENT AND HE ONLY REGRETTED TIME AVAILABLE TO THE WAS SO SHORT. HE HAD READ

VICE PRESIDENT'S REMARKS BEFORE NATO COUNCIL AND HAD FOUND THEM STIMULATING. ICELAND, HE NOTED, HAS A SPECIAL PROBLEM
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BECAUSE OF ITS STRATEGIC POSITION; WINSTON CHURCHILL HAD DESCRIBED IT AS THE QTE LIFELINE OF THE ATLANTIC UNQTE, AND TO SOME EXTENT ICELAND WAS DURING WORLD WAR II. ICELAND ALSO HAS TO COPE WITH GROWING INTEREST IN IT OF SOVIET UNION. IT DOES NOT WANT TO QTE FALL BEHIND THE SOVIET FRONTIERS UNQTE OR UNDER SOVIET INFLUENCE. HE SAID HIS GOVERNMENT HAD MADE IT CLEAR THAT ICELAND IS A NATO MEMBER; HE BELIEVES CONFIRMATION OF ICELANDS SECURITY AS WELL AS THAT OF NATO LIES IN ICELAND'S DEFENSE AGREEMENT WITH U.S.

4. PRIME MINISTER THEN SAID THAT DEFENSE AGREEMENT AND ICELAND'S NATO MEMBERSHIP NEVERTHELESS REMAIN ISSUES IN ICELANDIC POLITICS. THEY ARE ISSUES THAT ARE FOUGHT IN EVERY NATIONAL ELECTION. TMEY WILL HAVE TO BE FOUGHT AGAIN NEXT YEAR, AND HE HOPED IT WOULD AGAIN BE POSSIBLE TO CONFIRM ICELAND'S COMMITMENT TO NATO AND SUPPORT OF THE DEFENSE AGREEMENT WITH THE U.S. HE RECALLED IN PASSING THAT PREVIOUS GOVERNMENT HAD ASKED FOR GRADUAL WITHDRAWAL OF U.S. TROOPS FROM ICELAND. VICE PRESIDENT

HAD REFERRED TO 1974 MEMORANDUM OF UNDERSTANDING.
THAT AGREEMENT STIPULATED THAT U.S. AND GOI SHOULD
TRY TO SEPARATE MILITARY AND CIVILIAN OPERATION AT KEFLAVIK.
PRIME MINISTER SAID HE REGARDED THIS AS QTE VERY ESSENTIAL
UNQTE IN ORDER TO COPE WITH PGOBLEMS ASSOCIATED WITH
HAVING FOREIGN TROOPS STATIONED IN SMALL COUNTRY. SOONER
THIS SEPARATION COULD BE EFFECTED THROUGH PLANNED CONSTRUCTION
OF NEW CIVILIAN AIR TERMINAL THE BETTER. HE WOULD THERE-
FORE APPRECIATE IT IF USG COULD TAKE THE INITIATIVE IN
BRINGING THE MATTER OF A U.S. FINANCIAL CONTRIBUTION TO
THE CONSTRUCTION OF A NEW TERMINAL TO ATTENTION OF
THOSE WHO MUST MAKE THE DECISION.

5. VICE PRESIDENT ASKED WHETHER AGREEMENT HAD BEEN REACHED
FOR U.S. TO HELP FINANCE CONSTRUCTION OF TERMINAL.
AMBASSADOR BLAKE SAID WE HAD AGREED IN THE MOU OF 1974
TO STUDY HOW WE MIGHT COOPERATE IN CONSTRUCTION OF A
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NEW TERMINAL AND THIS MATTER WAS STILL UNDER REVIEW IN
WASHINGTON. ADMIRAL BERNSTEIN NOTED THAT WE WERE SYMPATMETIC
TO THE IDEA OF COVERING DEFENSE-RELATED FACILITIES OF ANY
NEW TERMINAL, SUCH AS RAMPS AND POSSIBLY HELPING IN CONSTRUCTION

OF A SEPARATE ACCESS ROAD SO THAT THE MOVEMENT OF PASSEN-
GERS TO AND FROM THE NEW TERMINAL WOULD BE COMPLETELY
OUTSIDE MILITARY OPERATIONAL AREA. PRIME

NOTE BY OC/T: NOT PASSED VICE PRESIDENT'S PARTY.

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FM AMEMBASSY REYKJAVIK

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MINSTER SAID U.S. HAD AGREED TO CONSTRUCT NEW AIR TERMINAL RAMPS; WHAT HE WAS RAISING NOW WAS THE IMPORTANCE OF SOME U.S. FINANCIAL CONTRIBUTION TO CONSTRUCTION OF TERMINAL BUILDING ITSELF. BACKGROUND OF THIS REQUEST WAS THAT MANY ICELANDERS CLAIMED IDF WAS HERE ONLY IN INTEREST OF U.S. DEFENSE, NOT IRELANDS. HIS GOVERNMENTS ANSWER WAS THAT THIS WAS TRUE, BUT THAT ICELAND ALSO BENEFITTED FROM IDF PRESENCE. THE VICE PRESIDENT INTERJECTED THAT HE HOPED GOI WOULD VIEW IDF PRESENCE IN THAT LIGHT.

6. PRIME MINISTER THEN SAID THAT DURING COD WAR U.K. DID NOT RESPECT ICELAND'S FISHERIES JURISDICTION. WE WERE LUCKY. HE SAID, THAT NO LIVES WERE LOST. IF ANY HAD BEEN LOST, HE WAS NOT SURE HIS GOVERNMENT WOULD HAVE BEEN ABLE TO MAINTAIN ITS NATO MEMBERSHIP AND ADHERE TO THE DEFENSE AGREEMENT WITH THE U.S. WHEN NATO SYG LUNS VISITED ICELAND, HE DESCRIBED ICELAND PUBLICLY AS QTE VITAL TONATO'S INTERESTS UNQTE AND AS A COUNTRY WHOSE LOSS TO NATO WOULD COST THE AMERICAN TAXPAYER LARGE SUMS OF MONEY FOR ADDITIONAL AIRCRAFT CARRIERS. PRIME MINISTER SAID HE DID NOT RPT NOT THINK THIS WAS A QTE VERY CLEVER UNQTE STATEMENT BY LUNS SINCE ICELAND DOES NOT WANT TO PUT A PRICE TAG ON ITSELF AND TO DO SO WOULD ENCOURAGE OTHER COUNTRIES TO DO THE SAME. LUNS STATEMENT HAD LED TO SECRET

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DISCUSSION WITHIN ICELAND AS TO WHETHER GOI SHOULD TREAT NATO BASE AS SPAIN TREATS THE AMERICAN BASES THERE, AS SUBJECT TO LEASE PAYMENTS. PRIME MINISTER SAID HE OPPOSES THIS; ICELAND HAS AN AGREEMENT WITH THE U.S. BASED ON RECIPROVAL AND MUTUAL INTERESTS. HE WAS NOT ASKING FOR FINANCIAL ASSISTANCE IN THE CONSTRUCTION OF THE TERMINAL BECAUSE HE THOUGHT U.S. OUGHT TO PAY FOR THE FACILITIES IT HAS AT KEFLAVIK. HE WAS ASKING BECAUSE HE BELIEVES THE EARLY SEPARATION OF THE MILITARY AND CIVILIAN FACILITIES WOULD RESULT IN SMOOTHER RUNNING OF THE BASE; SMOOTHER RELATIONS BETWEEN THE MILITARY AND CIVILIAN ELEMENTS AT THE BASE; LESS IRRITATION WITH THE IDF MILITARY PRESENCE ON THE PART OF ICELANDERS WHO DO NOT WANT THE IDF; AND A STRENGTHENING OF RELATIONS BETWEEN THE U.S. AND ICELAND.

7. VICE PRESIDENT REPLIED THAT HE APPRECIATED ATTITUDE OF PRIME MINISTER TOWARD LANDLOGD-LESSEE ARRANGEMENTS. SUCH ARRANGEMENTS ALWAYS LED TO DEBATES OVER HOW MUCH SOMETHING WAS WORTH AND RELATIONS BECAME

QTE POISONEB UNQTE. THE AMERICAN PEOPLE DON'T LIKE SUCH RELATIONSHIPS AND REACT EMOTIONALLY AGAINST THEM. HE PERSONALLY WOULD DISLIKE SEEING THE U.S. PRESENCE IN ICELAND BASED ON ANY OTHER ARRANGEMENTS THAN THOSE THE PRIME MINISTER DESCRIBED AS PREFERABLE. HE SAID HE WOULD MAKE CERTAIN THAT THE MATTERS RAISED BY THE PRIME MINISTER WOULD BE GIVEN ATTENTION AT WASHINGTON LEVEL THEY CLEARLY SHOULD HAVE.

8. PRIME MINISTER RESPONDED BY ASSURING VICE PRESIDENT THAT USG HAD NOT RPT NOT BEEN UNRESPONSIVE; WHAT IS NEEDED NOW, HE SAID, IS PROGRESS ON DISCUSSIONS THAT HAVE ALREADY BEEN HELD. HE WOULD LIKE TO HAVE IT UNDERSTOOD THAT ICELAND IS NOT PUTTING A PRICE TAG ON ITS COOPERATION. WHAT HE WOULD LIKE IS FOR IT TO BE UNDERSTOOD THAT

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THE PRESENCE OF A DEFENSE FORCE, WHICH ICELAND CANNOT SUPPORT OUT OF ITS OWN RESOURCES, ENTAILS EXPENSES WHICH A COUNTRY OF 220,000 SHOULD NOT BE ASKED TO CARRY ON ITS OWN. CONSTRUCTION OF A NEW CIVILIAN AIR TERMINAL IS CLEARLY NEEDED TO REPLACE THE OLD AND LIMITED FACILITIES OF THE PRESENT ONE WHICH ARE SHARED WITH THE MILITARY. THIS IS THE KIND OF EXPENSE RESULTING FROM ICELAND'S COOPERATION WITH THE U.S. WHICH HE HOPED THE USG WOULD UNDERSTAND AND HELP GOI TO COVER.

PRIME MINISTER ASSURED VICE PRESIDENT GOI WAS VERY PLEASED WITH RELATIONS WITH THE U.S. WHICH HAD BECOME AN INCREASINGLY IMPORTANT MARKET FOR ITS FISH AND FISH PRODUCTS. HE WAS PLEASED TO SEE THAT USG WOULD SOON EXTEND ITS FISHERIES JURISDICTION UP TO 200-MILES AND HE EXPRESSED HOPE THAT LOS CONFERENCE WOULD BE SUCCESSFULLY CONCLUDED THIS YEAR. HE ALSO HOPED ADMINISTRATION'S PROGRAM FOR U.S. ECONOMY WOULD BE SUCCESSFUL SINCE ICELAND AND INDEED REST OF TRADING WORLD HAD GREAT STAKE IN HEALTH OF AMERICAN ECONOMY.

9. MEETING CONCLUDED WITH VICE PRESIDENT ASSURING PRIME MINISTER THAT COMMENTS BY LATTER WOULD BE GIVEN CAREFUL PERSONAL ATTENTION BY HIM. PRIME MINISTER ASKED THAT VICE PRESIDENT CONVEY HIS VERY BEST WISHES TO PRESIDENT CARTER AND REITERATED HIS GRATIFICATION FOR OPPORTUNITY TO HAVE DISCUSSIONS WITH VICE PRESIDENT.

10. DEPARTMENT PLEASE REPEAT AS APPROPRIATE.
BLAKE

NOTE BY OC/T: NOT PASSED VICE PRES PARTY.

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